

Algarve: housing market benefits from economic slowdown in Spain

According to the Confidencial Imobiliário Index (ICI), which measures value growth in the Portuguese housing market, the Algarve region is benefitting from the economic slowdown in Spain. The Algarve is one of the regions in the country that has recorded a more significant value growth in recent months. In May, average annual value growth in the Algarve housing market was 4,4%, a growth rate that exceeds rates recorded in traditionally more valuable markets such as the Lisbon and Oporto metropolitan areas. Value growth was highest in the new homes segment, which recorded a positive growth after a disappointing annual average growth rate of -3,3% in January.

The statistical data released by *Imométrica/LardoceLar.com*



indicates that at the end of 2007, the total stock of available housing was 18,900 units, which corresponds to about 6% of existing housing in the region, estimated to be about 325,000 units according to Census (2001) data. The *Imométrica/LardoceLar.com* figures also shows that communes

(*concelhos*) such as Albufeira, Olhão and Portimão have the largest supply of housing with respect to existing homes. Albufeira ranks first with a supply rate of 10%, followed by Olhão, Portimão and Faro which also fare above the market average (6%), unlike the remaining communes in the region.

Oporto establishes investment fund for the rehabilitation of Bairro do Aleixo

The Oporto municipality has approved the rehabilitation and redevelopment plan for Bairro do Aleixo. The plan includes setting up a special property investment fund as well as the demolition of the existing houses in the *bairro*. By setting up a closed investment fund, the authorities expect to involve the private sector in the rehabilitation

and redevelopment of a sizeable neighbourhood in Oporto without any costs for the municipality.

The investment fund will have unique features and the assets will be the 24,000 m² of land of Bairro do Aleixo itself. The fund shall be managed by a financial institution that will be selected in an open tender procedure. The selected

institution will acquire shares in the fund in exchange for building small clusters of social housing throughout the city and by rehabilitating and redeveloping unoccupied houses in Baixa and in Oporto's historical centre. The fund will enable developers to use the land made available in Bairro do Aleixo for new property developments.

In this month's issue of **Vida Imobiliária**

One of the most buoyant markets in Portugal, that of tourism real estate and resorts, is the focus of the July issue of *Vida Imobiliária*.

The newsletter will published the most recent data compiled by *Imométrica* and *Confidencial Imobiliário* on the Algarve market, which continues to be the favorite market for investors in and developers of this type of property.

To provide a comprehensive picture of the resort market, *Vida Imobiliária* has produced a list of current developments or developments that have been announced which includes more than 50 of the most important projects in Portugal.

The newsletter will also carry interviews with, *inter alia*, representatives of Região de Turismo do Algarve and several key market players such as Lusort, Oceânico, Vale do Lobo, Imocom, Vila Sol, Pestana Residence, Tiara, Siram Turismo, Sonae Turismo and Amorim Turismo, Pine Cliffs or Garvetur.

The information provided is complemented by José Roquette's views (*Grupo Pestana*) in the *Ponto de Vista* column, as well as by the *Fórum Vida Imobiliária* section where the impact of the new regulatory framework on resorts and residential tourism is discussed.

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Imorendimento invests 25 M€ in new business park

Imorendimento is currently developing a new business park in Paços de Ferreira through its property investment fund Multipark. The total investment will be 25 million euros (M€), the second largest private investment ever in the municipality. Imorendimento's plan involves the development of about 70,000 m² of buildings as well as more than 11,000 m² of parks and gardens. The new development will be known as Multipark and will feature a total of 51 plots, parking facilities for 630 vehicles as well as an Express hotel by Holiday Inn. The first stage of the development has already been completed and has led to the establishment in the area of 24 companies as well as some retail units. The second stage of the project is expected to begin soon.

CBRE advises Eastbanc on ambitious redevelopment plan for Príncipe Real

CB Richard Ellis (CBRE) was selected by US developers Eastbanc as its main advisor for the implementation of an ambitious residential project in the historical neighbourhood of Príncipe Real, in Lisbon. Eastbanc has also disclosed that it has so far purchased 10 buildings totalling 12,000 m². CBRE's involvement in the project began with the identification of the area to be redeveloped and of three zones for its initial implementation. The consultancy is currently searching and negotiating the sale of several other buildings.

Complexo Nassica: launch of the second stage of the project

Neiver, the developers of Complexo Nassica Vila do Conde, have launched the second stage of the project, covering an area of 82,000 m². The Nassica project began in 2004 with the opening of an Outlet Factory, which currently features a gross lettable area (GLA) of 17,000 m² and 72 shops but will soon expand to 40,000 m² of GLA over 130 shops, a food court with 20 restaurants and an El Corte Inglés anchor shop with 5,000 m².

Complexo Nassica covers a total area of 350,000 m² and is expected to be finalised in 2009. The total investment in the development will be about 250 million euros. Besides the expansion of the outlet, the second stage of the development will include a retail park with 22,000 m² that will feature brands such as Worten, Sport Zone, Continente Outlet, C&A and others. Some 60% of available spaces have already been negotiated. The retail scheme will also include a 15,000 m² stand-alone zone that will include the first Bricor shop of the El Corte Inglés group.

BY:



Rents still rising in most locations but growth rate clearly slowing

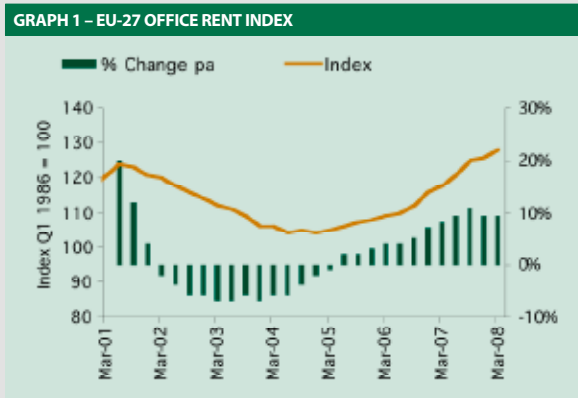
Weakening economic prospects are now affecting the European occupier markets and most cities are currently very close to the top of their rental cycles.

The EU-27 rent index continues to rise and the first quarter increase of 1.9% is on a par with a year ago, maintaining the year-on-year growth rate at 9.3%. However, the rates of increase are generally substantially below than those recorded in mid-2007. In other words, there is a widespread slowdown in the scale of quarterly increases, with rents stalling in some markets or even decreasing. In particular the major European markets that contributed heavily to the recent rental growth are seeing much reduced rental momentum.

Indeed, annual rental growth is down from its peak, largely due to a moderation of rental growth in CEE markets such as Warsaw and Prague, which saw very strong rental growth last year. Nonetheless, the majority of CEE markets are still showing rental growth with prime rents increasing by 21% in Moscow.

By contrast, the majority of the key Western markets, the more established ones, including the German cities, Brussels, Stockholm and London West End have seen rents stall. In addition, incentives are now increasing in a number of these. A moderate level of rental growth persists in Paris, the Netherlands and Madrid as well as the Spanish regional markets. A notable exception is the City of London which is seeing a more rapid slowdown than elsewhere in Europe with the first absolute reduction in prime rents for four years.

In Portugal, prime rent values have remained stabled since last year's increase from 20.25 eur/sq m/month to its current level of 20.50 eur/sq m/month. Only the Historic Centre sub zone saw a significant increase in prime rent value due to an emerging office zone, Chiado, very well limited and where transactions are being closed at higher prices. Indeed, Chiado has been increasing its importance in the market, not only because of the recent refurbishment of older office buildings, but also as a high quality retail and residential location, very well endowed with good accesses and public transports.



Source: CB Richard Ellis



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Investors looking for investment opportunities in high street shops

Contrary to the trends of the previous decade, high street shops, especially in Lisbon and Oporto's prime locations, are once again attracting not only large national and international retailers but also investors who view them as good business opportunities. And with a new regulatory framework for urban leases and new policies aimed at urban rehabilitation and re-development, high street shops are becoming «an increasingly attractive product».

Talking to journalists during the launch of Cushman & Wakefield's survey «O Comércio de Rua em Lisboa e Porto», a report on Lisbon and Oporto's high

street retail market by Cushman & Wakefield, Marta Leote, C&W's Associate and Director for Research and Consultancy explained that «with the shopping centre boom in Portugal in the 1990s, high street retail became a less attractive option for many market operators. But the tide is turning and there is currently a growing interest amongst retailers in going back to such retail units».

Investors are also increasingly interested in adding high street shops to their portfolios, «clearly in anticipation of the expected new market trend». Indeed, according to C&W's research director, «a foreign property

investment fund is already the third largest owner of traditional shopping facilities in the Chiado area, in Lisbon».

But why are operators suddenly interested in high street retail? According to Marta Leote, the answer is obvious and has to do with the fact that «purchasing shopping centres is far more expensive and, besides, many investment funds put a cap on investments in a single building or facility». Thus, a growing number of investors are contemplating the establishment of portfolios of high street shops, despite the fact that return on investment remains slightly higher in shopping centres.

Portuguese property market amongst the most transparent markets

The Portuguese property market is considered one of the most transparent property markets in the world. According to Jones Lang LaSalle's latest Global Real Estate Transparency Index, it currently ranks 22nd among 82 property markets that were surveyed. The Portuguese property market has improved its standing with respect to 2007, a fact that the consultancy views as «a highly positive development, considering that 26 new countries were included in the latest edition of the survey». Indeed, Portugal is among the countries that recorded the highest increase in their rating between 2006 and 2008, according to JLLS.

Manuel Puig, Jones Lang LaSalle's director-general for Portugal, says that «transparency in the Portuguese property market has evolved very significantly over the last 10 years as a result of the globalisation of the property industry and the professionalisation of its national and international operators, who increasingly require reliable data from the markets to do business and make decisions». Moreover, he adds, «in an increasingly competitive market that is constantly changing, the survival and success of companies depends to a large extent on their openness, on the way they assess, manage and use the available market information and on their ability to adapt to different circumstances. These are the

principles that have characterised the national property market and that's what makes the Portuguese market a transparent market», he concluded.

Internationally, the survey shows that transparency has improved significantly in emerging property markets. Dubai, Romania, Ukraine and Russia recorded some of the most significant improvements in transparency over the past two years.

In 2008, eight countries entered the high transparency category since the previous release of the Index in 2006. The property markets of Australia and the US have kept their historical standing as the most transparent markets in the world.

Lisbon Industrial & Retail Market

BY:



RETAIL & INDUSTRIAL – 1ST Quarter 2008

	Prime Rental Value / month	Yield (%)
Retail		
High Street Lisbon (100 sq m)	€ 80,0	6,50%
Shopping Centres (100 sq m)	€ 80,0	5,25%
Retail Parks (1000 sq m)	€ 13,0	5,75%
Industrial		7,25%
1,000 sqm	€ 6,50	
5,000 sqm	€ 5,50	
10,000 sqm	€ 5,00	

SHOPPING CENTRES OPENINGS IN 2008

Name	Location	sq m
Palácio do Gelo *	Viseu	73,500
C.C. Jumbo Castelo Branco	Castelo Branco	19,300
Fórum Barreiro	Barreiro	17,500
Vivaci Guarda	Guarda	13,700
Matosinhos Plaza	Matosinhos	67,000
Fórum Santa Maria da Feira	S.ª Maria da Feira	33,000
TOTAL		229,300

* Already opened

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Novo LeiriaShopping will cost 75 M€



Sonae Sierra has begun building LeiriaShopping, the new shopping and leisure centre that will result from the expansion and redevelopment of the shopping mall attached to the Continente hypermarket in Leiria. The project will cost an estimated 75 million euros (M€) and is scheduled to open in the Spring of 2010.

Sonae's new shopping centre will feature a gross lettable area (GLA) of 43,200 m² and 180 shops and is expected to generate about 900 new jobs. The retail scheme will include eight large outlets, including the Continente hypermarket and the Sportzone and Worten outlets that are already in operation, a 7-screen Castello Lopes cinema complex and a C&A shop. It will also feature 16 restaurants and 84 shops.

LeiriaShopping will be within easy reach of customers using major motorways and trunk roads such as A8, IC2-N1 N113 e N242. And it will provide a free car park for about 2,000 vehicles.

The shopping centre will service a population of about 529,000 inhabitants living within a 30-minute radius of the retail facility, of which more than 80% are already regular users of the existing Continente hypermarket, according to Sonae Sierra. The developer estimates that the opening of the new retail scheme in 2010 will lead to an increase in the number of visitors from the current 5 million to 8 million/year.

The design of the new facility will draw inspiration from the surrounding pinewood forests (the so-called Pinhal de Leiria) and the ocean. A press

release issued by the developers states that «*the architectural design and interior decorations of LeiriaShopping will aim at re-creating the green coastline close to Leiria, using different elements that characterize it: the smell of the Atlantic Ocean, the pinewoods that provided the wood for the ships that sailed the world during the period of the Discoveries, the cliffs and sailors, the golden sand of the beaches*».

Like other shopping and leisure centres developed by Sonae Sierra, LeiriaShopping was designed and will be built according to the company's Environmental Management System so as to comply with the environmental standards that Sonae Sierra applies in all its developments with respect to comfort, safety and environmental protection.

Moreover, according to the developers, the LeiriaShopping project will use «*state-of-the-art technologies for the separation and processing of solid and liquid waste and for monitoring air and water quality*», as well as a fully automated energy management system (BMS – Building Management System).

DEVELOPMENT'S DETAILS:

Name: LeiriaShopping
Location: Leiria
Developer: Sonae Sierra
Investment: 75 million euros
GLA: 43,200 m²

Events

6 - 8 October 2008
Expo Real 2008 – XI International Commercial Property Exposition
Venue: New Munich Trade Fair Centre. Germany
Info: www.exporeal.net

8 - 12 October 2008
SIMed – 5º Salon Inmobiliario del Mediterraneo
Venue: Palacio de Ferias y Congresos de Málaga, Spain
Info: <http://www.simedmalaga.com/>

22 - 26 October 2008
Salão Imobiliário de Lisboa
Venue: Feira Internacional de Lisboa
Info: www.fil.pt

4 - 9 November 2008
BMP 2008 – 12th Barcelona Meeting Point
Venue: Feira de Barcelona, Spain
Info: <http://www.bmpsa.com/>

10 - 13 March 2009
MIPIIM
Venue: Palais des Festivals, Cannes, France
Info: <http://www.mipim.com/>



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